

PUBLIC POLICY FOR THE DEVELOPMENT OF PRIVATE SECTOR AND SMES IN A SOCIALIST MARKET ECONOMY

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Abstract

The Vietnamese government has been conducting economic and administrative reforms to create a sustain market conditions for the growth of small to medium enterprises (SMEs) in Vietnam since 1986. In fact, the inconsistency in the government policy, slow pace of market reform, insufficient resource distribution, and poor initiatives to attract external support have postponed the growth of Vietnamese SMEs. From that context, this paper examines the factors contributing to the growth of SMEs by using a conceptual model of 'enabling' factors derived from an extensively review of Vietnamese literature and from an initial qualitative study of the research. Considering the Vietnamese experience with SMEs, this paper argues that in a Confucian culture and socialist market economy, where imperfect market factors, inadequate institutional support structure, and lack of proper co-ordination between policy formulation and policy implication are apparent, it is essential that the state has a key entrepreneurial responsibility to create conducive market conditions. More importantly, access to adequate resource infrastructure could create the essential shift for a pro-market venture enticing new business sectors to be part of the transitional process building the supportive infrastructure for SME grow.²

Keywords: Public policy, private sector development, small and medium enterprises (SMEs), socialist market economy, market-oriented economy.

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